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GOOD RESOURCES

GOOD RESOURCES HOLDINGS LIMITED

天成國際集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 109)

KEY FINDINGS OF FORENSIC REVIEW

This announcement is made by Good Resources Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the Company’s announcements dated (i) 3 May 2021 (the “**3 May Announcement**”) in relation to the key findings of the first stage of forensic investigation (“**First Stage Investigation**”) by RSM Corporate Advisory (Hong Kong) Limited (“**RSM**”), (ii) 3 June 2021 (the “**3 June Announcement**”) in relation to the second stage of forensic investigation into the matters set out in the additional resumption guidance in the Stock Exchange’s letter to the Company dated 31 May 2021 (the “**Second Stage Investigation**”) and (iii) 28 June 2021 (the “**28 June Announcement**”) in relation to the engagement of RSM for conducting the Second Stage Investigation (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings ascribed to them in the Announcements.

The Company wishes to inform the Shareholders that RSM has completed the Second Stage Investigation and issued a report setting out its findings (the “**Second Stage Report**”). The Investigation Committee has convened a meeting to adopt the Second Stage Report and resolved to present the Second Stage Report to the Board. The Board have reviewed the contents of the Second Stage Report and accepted the findings made by RSM in principle.

The major findings of the Second Stage Investigation are set forth below.

SUMMARY OF THE KEY FINDINGS OF THE SECOND STAGE INVESTIGATION

(A) Background and Scope of the Second Stage Investigation

Having considered the findings of the First Stage Investigation, the Company decided to conduct further investigation into possible misconduct committed against the Company's interests.

As disclosed in the 3 June Announcement, the Stock Exchange set out in its letter to the Company dated 31 May 2021 additional guidance for the resumption of trading in shares of the Company, which included (among others):

- (a) extending the scope of the independent forensic investigation into the Loan Transactions to cover the Pledge Contracts and the subscription and redemption of the Wealth Management Products; and
- (b) conducting an independent forensic investigation with a view to identifying, if any, other material financial assistance made by the Group without proper authorisation, announce the findings and take appropriate remedial actions.

In light of the Stock Exchange's additional resumption guidance and the findings highlighted in the First Stage Investigation, the Investigation Committee engaged RSM, an independent professional accounting and consulting firm in Hong Kong, to conduct the Second Stage Investigation.

The scope of the Second Stage Investigation covers the following matters:

- (a) conducting a further investigation into the Pledge Contracts and the Loan Transactions to ascertain the reasons for Shanghai Yongsheng to enter into the Pledge Contracts and whether Shanghai Shihao and Shanghai Qianjiang were connected with any of the shareholders, directors or the management of the Company;
- (b) ascertaining the authenticity of the Purported Subscription Records and other related matters; and
- (c) identifying whether there was any other unauthorised material financial assistance made by Shanghai Yongsheng (except for the Loan Transactions) between 1 July 2018 and 31 August 2021.

(B) Issues in relation to the Pledge Contracts and the Loan Transactions

1. Scope and procedures adopted in the investigation

RSM conducted a further investigation into the following issues in relation to the Pledge Contracts and the Loan Transactions:

- (a) the reasons for Shanghai Yongsheng to enter into the Pledge Contracts;
- (b) the internal approval procedures for the execution of the Pledge Contracts, in particular, the persons responsible for approving the Pledge Contracts;
- (c) whether the entering into of the Pledge Contracts made commercial sense; and
- (d) whether Shanghai Shihao and Shanghai Qianjiang were connected with any of the shareholders, directors or management of the Company.

To this end, RSM carried out procedures including but not limited to:

- (a) obtaining and reviewing the internal policies and procedures of Shanghai Yongsheng relating to the use of chops and seals, the granting of pledges, financial reporting process and the entering into of connected transactions;
- (b) obtaining and reviewing the register for use of chops maintained by Shanghai Yongsheng since 2016;
- (c) obtaining and reviewing the list of employees and salary records for the past five years;
- (d) visiting the Shanghai Branch of Bank of Beijing, Shanghai Shihao and Shanghai Qianjiang;
- (e) arranging for interviews with representatives of Shanghai Shihao and Shanghai Qianjiang; and
- (f) interviewing the relevant personnel of Shanghai Yongsheng.

2. Use of company chop and legal representative chop of Shanghai Yongsheng on the Pledge Contracts

According to Shanghai Yongsheng's register for use of chops, there were entries on 28 May 2019 (the "**28 May Entry**") and 12 September 2019 (the "**12 September Entry**"), which were respectively the date of one of the Pledge Contracts and the date on which sums totaling RMB406,156,520.83 were transferred to the Bank of Beijing as part of the Enforcement.

In respect of the 28 May Entry, the applicant was a former finance staff of Shanghai Yongsheng who left Shanghai Yongsheng's employ on 21 June 2019. RSM was unable to interview her and could not therefore obtain further details regarding her use of chop on 28 May 2019 and the reason for her signature appearing on the Pledge Contracts.

As regards the 12 September Entry, RSM interviewed the applicant, another finance staff of Shanghai Yongsheng ("**SHYS Finance Staff**"). She claimed that although she had applied for using the chops on 12 September 2019, the chops were kept by her colleague in the General Affairs Department who accompanied her to the Bank of Beijing. She did not affix the chops on any documents in Bank of Beijing on that day. She could not recall whether her colleague had used the chops on that day.

RSM reviewed the application forms for the use of chops. Both application forms in relation to the 28 May Entry and the 12 September Entry bore the signature of the financial controller of Shanghai Yongsheng ("**SHYS Financial Controller**"). She claimed that she did not sign the two application forms and that the handwriting of the signatures thereon was different from hers.

RSM still could not reach and conduct interview with the former assistant to the former General Manager of and the former Deputy General Manager of Shanghai Yongsheng, both being the persons in charge of the Pledge Contracts.

RSM visited the Shanghai Branch of Bank of Beijing to submit a letter inquiring about details of the Pledge Contracts and the Enforcement. Bank of Beijing stated that its services did not include responding to auditors' enquiries, and suggested RSM to request the copies of the contracts from Shanghai Yongsheng instead. RSM was therefore not able to obtain from Bank of Beijing any details of the Pledge Contracts and the Enforcement.

RSM also passed to Shanghai Yongsheng a letter to be passed to Bank of Beijing. As at the date of the Second Stage Report, Bank of Beijing had not responded to RSM's letter.

3. Enforcement of the Pledge Contracts

During the First Stage Investigation, the General Manager cum Director of Shanghai Yongsheng (the "**SHYS General Manager**") explained to RSM that he learnt about the Enforcement from the SHYS Financial Controller in a staff meeting shortly after he joined Shanghai Yongsheng in around October 2019. However, during RSM's interview with him in the Second Stage Investigation, he claimed that he first learnt about the Enforcement in around November 2019 when a relationship manager of Bank of Beijing visited Shanghai Yongsheng.

The SHYS Financial Controller claimed that she could not recall if there was a staff meeting in around October 2019. She only learnt about the Enforcement from the SHYS Finance Staff between late 2019 and early 2020.

Nevertheless, during RSM's interview with the SHYS Finance Staff, she explained that she only learnt about the Enforcement from the auditors during the audit in around July and August 2020. She gave vague responses to RSM's question as to whether she had reviewed the relevant statements issued by Bank of Beijing and noted the deduction of the Fixed Deposits at the material time (the "**Deduction**").

Both the SHYS General Manager and the SHYS Financial Controller reiterated that they had immediately reported to Mr. Chen Chuanjin (former Chairman and Director of the Company, and former Chairman, Director and Legal Representative of Shanghai Yongsheng) ("**Mr. Chen CJ**") upon becoming aware of the Enforcement. They did not know whether Mr. Chen CJ had reported the same to the Board.

4. *Loan Transactions*

At the First Stage Investigation, the SHYS General Manager explained to RSM that he arranged for the Loan Transactions to be entered into with Shanghai Shihao as remedial measures for protecting the interests of Shanghai Yongsheng. Before entering into the Loan Transactions, the SHYS General Manager had reported this to Mr. Chen CJ and sought his instructions through a call. Mr. Chen CJ told him that he would have full authority to handle this matter. He did not know whether Mr. Chen CJ had reported to the Board about the Loan Transactions.

Having considered that the business nature of the Loan Transactions was different from Shanghai Yongsheng's financial leasing business, RSM requested Shanghai Yongsheng to provide the internal policies and procedures in relation to provision of financial assistance. Based on the documents provided by Shanghai Yongsheng, RSM was unable to ascertain whether Shanghai Yongsheng had any internal control and approval procedures to govern borrowings of non-financial leasing nature. RSM also could not assess whether the due diligence reports and the application forms for the Loan Transactions were in compliance of Shanghai Yongsheng's internal requirements.

During the Second Stage Investigation, RSM interviewed the SHYS General Manager again to understand the execution of the Loan Transactions. At the interview, the SHYS General Manager gave an explanation which was completely different from his earlier explanations to RSM in the First Stage Investigation.

- (a) The SHYS General Manager now suggested that the four loan agreements with Shanghai Shihao (i.e., the Loan Transactions) were in fact executed in around July and August 2020. The effective dates of these loan agreements were aligned with the dates of the Enforcement. His explanation was different from what he explained to RSM in the First Stage Investigation, being that he arranged for the Loan Transactions to be executed in late 2019.

- (b) The SHYS General Manager further claimed that he arranged for the execution of the Loan Transactions pursuant to the instructions of the “Hong Kong office”. He reported such instructions to Mr. Chen CJ, and Mr. Chen CJ asked him to act in accordance with the instructions. This was inconsistent with the SHYS General Manager’s explanation during the First Stage Investigation which he claimed that the Loan Transactions were entered into as remedial actions for protecting the interests of Shanghai Yongsheng.
- (c) RSM further asked the SHYS General Manager which director or employee in Hong Kong had instructed him to execute the Loan Transactions, but he refused to answer this question.

On the other hand, the Company’s Hong Kong headquarters confirmed that (except for not being able to confirm for Mr. Chen CJ) it had never given instruction in relation to the execution of the Loan Transactions.

Based on RSM’s review of the Audit Committee and Board meeting minutes between July and September 2020, RSM did not come across any records showing that a director of the Company had given instructions in relation to the execution of the Loan Transactions. RSM noted that at the Board meeting on 7 September 2020, Mr. Chen CJ reported that subsequent to the redemption of the Wealth Management Products and on 27 July 2020, the SHYS General Manager granted a loan to Shanghai Shihao and another company.

In light of the SHYS General Manager’s inconsistent explanations regarding the date and reasons for executing the Loan Transactions, RSM had reviewed the relevant records and documents obtained during the First Stage Investigation and Second Stage Investigation again. RSM considered that there was no clear evidence demonstrating which explanation of the SHYS General Manager was more credible.

Notwithstanding the above, RSM concluded that:

- (a) The relevant loan agreements were backdated.
- (b) As confirmed by the SHYS General Manager, the effective dates of the loan agreements were dated the dates when the Fixed Deposits were deducted.
- (c) The Company’s Hong Kong headquarters was not notified of the execution of the loan agreements. Size tests were not conducted and approvals were not sought.

During the Second Stage Investigation, RSM visited the registered address of Shanghai Shihao and Shanghai Qianjiang. However, RSM’s staff was unable to locate both companies at their respective address.

RSM had also requested Shanghai Yongsheng to arrange for interviews to be conducted with Shanghai Shihao and Shanghai Qianjiang. As at the date of the Second Stage Report, RSM had not received any response from Shanghai Shihao or Shanghai Qianjiang.

5. *Steps taken by the Company and Shanghai Yongsheng*

RSM noted that the Board have taken several measures to investigate/deal with the matters in relation to the Pledge Contracts and the Deduction, which included:

- (a) On 7 September 2021, the Company issued a demand letter to Bank of Beijing asserting that the Pledge Contracts were invalid and requesting the return of the Fixed Deposits to Shanghai Yongsheng.
- (b) On 18 November 2021, Shanghai Yongsheng issued a letter to Bank of Beijing reiterating the nullity of the Pledge Contracts and requesting the return of the Fixed Deposits.
- (c) On 30 November 2021, Bank of Beijing replied to the Company and Shanghai Yongsheng claiming that the Pledge Contracts were valid and stated that it had received the shareholder resolutions of Shanghai Yongsheng (the “**Purported Shareholder Resolutions**”) at the time the Pledge Contracts were entered into.
- (d) The Company and Shanghai Yongsheng reported the matter in relation to the Pledge Contracts to the China Banking and Insurance Regulatory Commission (Shanghai Office) (the “**CBIRC**”).
- (e) On 30 January 2022, the CBIRC replied to Shanghai Yongsheng acknowledging its acceptance of Shanghai Yongsheng’s report in relation to the Pledge Contracts and noting that the CBIRC would investigate the matter.

In respect of the Purported Shareholder Resolutions for the entering into of the Pledge Contracts (i.e., two shareholder resolutions passed by Vincent International Holdings Limited (the sole shareholder of Shanghai Yongsheng) (“**Vincent International**”) on 24 May 2019):

- (a) RSM noted that in a letter to the CBIRC dated 13 January 2022, Shanghai Yongsheng asserted that the signature of Mr. Chen CJ and the company chop of Vincent International on the Purported Shareholder Resolutions were different from those on the records filed with the Administration for Industry and Commerce of Shanghai.
- (b) It was not possible for RSM to determine the authenticity of Mr. Chen CJ’s signature and Vincent International’s company chop on the Purported Shareholder Resolution and other documents obtained by RSM. RSM is not an expert in verifying the authenticity of handwriting or seal. The samples obtained by RSM were either scanned versions or photocopies of the documents.

- (c) RSM considered that Mr. Chen CJ's signatures on the Purported Shareholder Resolution and other documents demonstrate that there might be different versions of his signatures on internal and external documents at different point in time. RSM therefore had serious doubts as to whether these signatures were true and whether it would lead to challenges over the authenticity and validity of the relevant documents.
- (d) RSM also made enquiries with the Company Secretary of Vincent International and noted that between 12 September 2018 and 29 May 2019 (i.e., when the Pledge Contracts were entered into), Vincent International did not convene any board meetings, pass any board or shareholders resolutions or receive any instructions from its directors to conduct notarisation in respect of the Pledge Contracts.

6. *Relationship between Shanghai Shihao, Shanghai Qianjiang and shareholders, directors or the management of the Company*

During the First Stage Investigation, RSM reviewed the shareholding structure and corporate information of Shanghai Shihao, Shanghai Qianjiang and Zhenjiang Rongde (a subsidiary of Shanghai Shihao). Save for the fact that the former Deputy General Manager of Shanghai Yongsheng was a director of Shanghai Qianjiang and Shanghai Renhe Investment Management Co., Ltd. ("**Shanghai Renhe**") (a company holding 10% equity interest in Shanghai Qianjiang) for a period of time before he resigned from Shanghai Yongsheng, there were no official records showing that any of Shanghai Shihao, Shanghai Qianjiang, Zhenjiang Rongde or their beneficial owners were connected persons of the Company when the Pledge Contracts, the Loan Transactions, the Enforcement and the Deduction took place.

In the Second Stage Investigation, RSM carried out Internet searches and noted that there were no changes in the shareholding structure, legal representative and directors of Shanghai Shihao, Shanghai Qianjiang and Zhenjiang Rongde.

As set out in Section (D) below, RSM also noted from its investigation that Shanghai Shihao and Shanghai Qianjiang were related to the controlling shareholder of the Company. As such, the Pledge Contracts and the Loan Transactions may constitute connected transactions under the Listing Rules.

RSM also noted that Mr. Liu Bin (an Executive Director of the Company) has been the supervisor of Zhenjiang Rongde. In April 2021, Mr. Chen CJ (on behalf of the Nomination Committee) nominated Mr. Liu Bin to be appointed as an Executive Director of the Company.

7. *Internal policies and procedures*

In terms of internal policies and procedures, RSM did not receive from Shanghai Yongsheng anything additional to those obtained in the First Stage Investigation. Shanghai Yongsheng's management confirmed to RSM that it did not have policies and procedures relating to connected transactions.

RSM considered that the policies and procedures provided by Shanghai Yongsheng were related to its financial leasing business and therefore irrelevant to the Pledge Contracts. The nature of the Pledge Contracts was completely different from the financial leasing business of Shanghai Yongsheng. As such, RSM was still unable to ascertain whether Shanghai Yongsheng had effective internal control and approval procedures in place between September 2018 and May 2019 to regulate the provision of pledges and guarantees to third parties, or whether the relevant personnel of Shanghai Yongsheng had complied with the applicable policies and procedures in arranging for the execution of the Pledge Contracts.

According to the SHYS General Manager:

- (a) Shanghai Yongsheng did not have specific policies for the use of chops and seals prior to October 2019. That said, any person who had to use the chops was required to complete a written application form and obtain approvals from the head of the department and the Deputy General Manager of Shanghai Yongsheng. She would then use or lend the chops and make electronic records of such use.
- (b) She had no recollection of affixing seals on the Pledge Contracts. However, she mentioned that there were occasions where the seals were passed to Shanghai Yongsheng's management without recording the same.
- (c) In terms of the use of Mr. Chen CJ's legal representative chop, if the application form had already been signed by Shanghai Yongsheng's management, they would not specifically notify or obtain approval from Mr. Chen CJ for using his legal representative chop.

The Company held a different view towards the expression of "*no specific policies for the use of chops and seals prior to October 2019*". The Company considered that Shanghai Yongsheng had such policies in place.

In RSM's view, regardless of whether there were specific internal policies governing the use of chops and seals, filling out a written application form and obtaining approval from the department head and Deputy General Manager was the minimum requirement for the use of the chops and seals. It was not the case that the use of Shanghai Yongsheng's company chop had not been managed at any point in time.

8. *Responsibility of Mr. Chen CJ in respect of the Pledge Contracts and the Loan Transactions*

Although Mr. Chen CJ had previously claimed that he only held the position of legal representative of Shanghai Yongsheng and did not assume responsibility for its operations, he was the Executive Director cum Chairman of the Company as well as the Chairman and Legal representative of Shanghai Yongsheng during the period when the Pledge Contracts, the Loan Transactions, the Deduction and the Enforcement took place. The Pledge Contracts also bore the legal representative chop of Mr. Chen CJ.

Despite being informed of the Enforcement and the entering into of the Loan Transaction, Mr. Chen CJ failed to report the same to the Board or take necessary measures to preserve and recover the Company's assets.

RSM considered that Mr. Chen CJ apparently did not comply with the Company's internal control policies and failed to fulfil his duties as a director of the Company, and caused the financial reporting and capital management policies and procedures imposed by the Company on Shanghai Yongsheng to be in vain.

(C) Issues in relation to the Wealth Management Products

1. Scope and procedures adopted in the investigation

RSM carried out a further investigation into the Wealth Management Products to ascertain:

- (a) the authenticity of the Purported Subscription Records (i.e., the five purported receipts dated 30 June 2020 related to the subscription of the Wealth Management Products);
- (b) the reasons for and the nature of the fund transfers from 10 call deposit accounts of Shanghai Yongsheng to the existing general bank account of Shanghai Yongsheng with China Minsheng Bank on 23 July 2020, and their relationship with the purported redemption of the Wealth Management Products; and
- (c) the reasons for and the nature of the incoming remittance of RMB378 million from Shanghai Qianjiang.

To this end, RSM performed procedures including but not limited to:

- (a) obtaining and reviewing the internal policies and procedures of Shanghai Yongsheng in relation to wealth management products and financial reporting processes;
- (b) visiting and issuing a letter to the Shanghai Caoyang Branch of China Minsheng Bank; and
- (c) interviewing the relevant personnel of Shanghai Yongsheng.

2. *The authenticity of the Purported Subscription Records*

In respect of the Purported Subscription Records, RSM had the following observations:

- (a) the short form of the English name of China Minsheng Bank was used;
- (b) the receipts indicated that they were prepared by the cashier of Shanghai Yongsheng (“**SHYS Cashier**”) and approved by the SHYS Financial Controller; and
- (c) the receipts did not show any transaction reference number, stamping or record time.

RSM attempted to contact China Minsheng Bank to ascertain the authenticity of the Purported Subscription Records and whether the Wealth Management Products were redeemed on 23 July 2020. As at the date of the Second Stage Report, China Minsheng Bank had not responded to RSM’s enquiries.

During RSM’s interview with the SHYS Cashier, she claimed that the subscription probably did not take place. In response to RSM’s query regarding the reason for her name appearing on the Purported Subscription Records, she claimed that:

- (a) The Purported Subscription Records were unlikely to be the transaction receipts as they did not bear the bank chop.
- (b) She did not explain why her name appeared on the Purported Subscription Records.
- (c) She could not recall whether she conducted the purchase of the Wealth Management Products on 30 June 2020.

In the interview with the SHYS Finance Staff, she claimed that the subscription for the Wealth Management Products was not successful, and there were no receipts provided to her for accounting purposes.

During the Second Stage Investigation, the SHYS Financial Controller did not give a clear explanation for the purported subscription and redemption of the Wealth Management Products. She claimed that the subscription was a misunderstanding and the Wealth Management Products were not subscribed for eventually.

According to the SHYS Financial Controller, Shanghai Yongsheng might have intended to subscribe for the Wealth Management Products to utilize the idle funds. However, she was not in the Shanghai office at the time and could not recall who proposed the subscription. She further suggested that the Purported Subscription Records might be prepared for going through certain procedures but she reiterated that the subscription did not actually take place in the end.

When being asked why she informed the Company's finance manager in Hong Kong and Mr. Chen CJ of the purported redemption of the Wealth Management Products in July and August 2020, the SHYS Financial Controller claimed that she could not recall these communications. Noting that there were records of these communications, RSM considered that her explanation for not recalling these communications to be unreasonable.

Based on the information and materials obtained during the Second Stage Investigation, RSM was still unable to accept the explanation of Shanghai Yongsheng's management that the subscription of the Wealth Management Products was a misunderstanding. RSM was also not able to obtain sufficient evidence to identify the ultimate decision maker for the subscription.

3. *Fund transfers between the 10 call deposit accounts of Shanghai Yongsheng and the general bank account of Shanghai Yongsheng with China Minsheng Bank*

As regards the fund transfers between the general bank account of Shanghai Yongsheng with China Minsheng Bank and the 10 call deposit accounts of Shanghai Yongsheng on 23 July 2020, the SHYS Cashier explained to RSM that:

- (a) these transfers were made via online banking for subscribing for bank products;
- (b) the remittances back to the general bank account might be due to the subscription limit of the products;
- (c) The subscription was not successful until the 11th remittance in the amount of RMB90,000,000. However, the SHYS Cashier was unable to provide evidence for the unsuccessful subscriptions.

RSM noted that there were no accounting records in relation to the fund transfers regarding the 10 call deposits. According to the SHYS Finance Staff, she only received the bank advice for the call deposit of RMB90,000,000 on 23 July 2020 (i.e. the 11th remittance on that day). Such deposit was redeemed on 24 July 2020. Subsequently, Shanghai Yongsheng made a call deposit of RMB90,000,000, which was redeemed in the next few days.

4. *Remittances of RMB378 million from and to Shanghai Qianjiang*

In the First Stage Investigation, RSM noted that Shanghai Yongsheng recorded an incoming remittance of RMB378 million from Shanghai Qianjiang on 30 June 2020. Shanghai Yongsheng transferred the same amount back to Shanghai Qianjiang on 1 July 2020. The SHYS General Manager previously explained that the remittance on 30 June 2020 was an operation error. Shanghai Yongsheng remitted the same amount back to Shanghai Qianjiang on the next day.

In the Second Stage Investigation, the SHYS General Manager told RSM that Shanghai Yongsheng had no business relationship with Shanghai Qianjiang and he was not sure about the reasons for the remittance on 30 June 2020.

RSM considered that it was unlikely that the remittance on 30 June 2020 was an operation error. This was particularly so if, according to the SHYS General Manager, there was no business relationship between Shanghai Yongsheng and Shanghai Qianjiang, there should not have been any fund transfers between the two companies.

5. *Aggregate sum of Shanghai Qianjiang's remittance and the amount for the purported subscription of the Wealth Management Products*

Further, RSM noted that the aggregate sum of RMB378 million (Shanghai Qianjiang's remittance to Shanghai Yongsheng on 30 June 2020) and RMB602.98 million (the amount for the purported subscription of the Wealth Management Products) was close to the amount of the Fixed Deposits (RMB981,676,668.06) that was deducted by Bank of Beijing as a result of the Enforcement.

RSM could not rule out the suspicion that the remittance of RMB378 million and the purported subscription for Wealth Management Products were intended to conceal the Deduction.

(D) Material financial assistance made by Shanghai Yongsheng

During the Second Stage Investigation, RSM took steps to identify whether Shanghai Yongsheng provided any unauthorised material financial assistance (other than the Loan Transactions) between 1 July 2018 and 31 August 2021.

RSM had the following observations and findings.

1. No unauthorised material financial assistance apart from the Loan Transactions between 1 July 2018 and 31 August 2021

Based on the bank statements of Shanghai Yongsheng between 1 July 2018 and 31 August 2021, RSM identified the following transactions in the amount equal to or exceed RMB10,000,000:

Date	Amount involved	Name of counterparty
<i>Bank account with Industrial and Commercial Bank of China (Shanghai Hongqiao Development Zone Branch)</i>		
26 June 2019	(50,000,000)	Shanghai Mei Long Building Development Limited (“ Shanghai Mei Long ”)
26 June 2019	(46,000,000)	Shanghai Mei Long
28 April 2020	(12,000,000)	Shanghai Shihao
<i>Bank account with Industrial and Commercial Bank of China (Shanghai Fuxing Middle Road Branch)</i>		
25 June 2019	(36,500,000)	Shanghai Mei Long
5 August 2019	(10,000,000)	Shanghai Mei Long
3 July 2020	(29,780,000)	Shanghai Shihao
<i>Bank account with China Minsheng Bank (Shanghai Caoyang Branch)</i>		
2 July 2018	(30,000,000)	Shanghai Mei Long
3 July 2018	(20,000,000)	Shanghai Tianhong Real Estate Development Co., Ltd. (上海天鴻房地產開發有限公司)
2 January 2019	(42,000,000)	Shanghai Bao Cheng Property Limited (“ Shanghai Bao Cheng ”)

RSM confirmed that the aforesaid transactions had been properly approved by the Board and disclosed in the Company’s circulars or annual reports.

Further, RSM obtained the corporate credit report of Shanghai Yongsheng issued by the Credit Reference Center of the People’s Bank of China. The report shows that as at 6 August 2021, Shanghai Yongsheng did not provide any material financial assistance to other entities or individuals in the form of guarantee.

RSM considered that there was also no evidence suggesting that Shanghai Yongsheng had made any other pledges in favour of any individuals or companies other than the Pledge Contracts.

In light of the above, RSM confirmed that save for the Loan Transactions, there were no other material financial assistance made by Shanghai Yongsheng without proper authorization between 1 July 2018 and 31 August 2021.

2. *Alleged pledges made by Shanghai Yongsheng since 2016*

During the Second Stage Investigation, the SHYS General Manager claimed that he had reviewed the records and formed a preliminary understanding of the cause and background giving rise to the Deduction.

According to the SHYS General Manager, he noted that Shanghai Yongsheng made its first fixed deposit pledge in around February 2016 and the amount of fixed deposits pledged had since then increased over the years. In support of this proposition, the SHYS General Manager provided the bank statement of Shanghai Yongsheng's account with China Minsheng Bank as at 30 June 2016, showing two fixed deposits of RMB279,648,812.50 and RMB280,980,000. However, the SHYS General Manager did not explain how he knew that these two fixed deposits were pledged.

The SHYS General Manager also asserted that Shanghai Shihao repaid RMB150,000,000 to Shanghai Yongsheng on behalf of two borrowers in around June to August 2017. Again, the SHYS General Manager did not explain how such repayment was related to the fixed deposit pledges.

RSM noted that the SHYS General Manager joined Shanghai Yongsheng on 8 October 2019. During the First Stage Investigation, Shanghai Yongsheng's management (including the SHYS General Manager) claimed that they could not locate the information relating to the Pledge Contracts. However, the SHYS General Manager was now able to locate documents back in 2016. This led to RSM's doubts as to Shanghai Yongsheng's record keeping.

Given that the aforesaid information and records provided by the SHYS General Manager relate to events happened as early as in 2015 (which was beyond the scope of the Second Stage Investigation), RSM recommends the Investigation Committee to expand the scope of the investigation to the period starting from 2015 onwards.

3. *Default in repayments by borrowers of Shanghai Yongsheng*

RSM noted that multiple loans granted by Shanghai Yongsheng were in default. The borrowers which had defaulted in repayments included Shanghai Shihao, Shanghai Qianjiang, Shanghai Mei Long, Shanghai Bao Cheng, Shanghai Fortune Tiandi Property Co., Ltd. and Shanghai Renhe (collectively, the "**Defaulted Borrowers**").

In this regard, RSM noted that Shanghai Yongsheng has engaged legal advisers to commence legal proceedings against certain borrowers.

The Defaulted Borrowers were described as independent third parties in the Company's disclosures. RSM did not identify any relationship between the Company and the Defaulted Borrowers. Nevertheless, RSM noted that there were overlaps in the officers of the Defaulted Borrowers.

4. *Relationship between the Company's controlling shareholder and the Defaulted Borrowers*

According to an announcement of Gansu Ronghua Industry Group Co., Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 600311)) dated 30 November 2017, the ultimate controlling shareholder of Shanghai Renhe was the controlling shareholder of the Company ("**Controlling Shareholder**").

Based on RSM's analysis of the shareholding structure of the Defaulted Borrowers, it considered that the Controlling Shareholder was the actual controller and/or connected person of the Defaulted Borrowers. As such, it was possible that the Pledge Contracts, the Loan Transactions and other loan agreements approved in the past may constitute connected transactions under the Listing Rules, and were not reported to and approved by the Board in accordance with the relevant requirements.

RSM also noted that the appointment of the SHYS General Manager was recommended by the Controlling Shareholder and Mr. Chen CJ. Meanwhile, the former Deputy General Manager of Shanghai Yongsheng, who was in charge of the matters relating to the Pledge Contracts, was a director of Shanghai Qianjiang and Shanghai Renhe for a certain period of time before he left Shanghai Yongsheng.

(E) Internal control measures in relation to the Company and Shanghai Yongsheng

During the First Stage Investigation and Second Stage Investigation, RSM only obtained fairly limited internal policies and procedures of Shanghai Yongsheng, in particular those before 15 October 2019. Therefore, RSM was unable to ascertain whether Shanghai Yongsheng had (a) complied with its internal policies and procedures in respect of the Pledge Contracts, the Loan Transactions and the purported subscription of the Wealth Management Products and (b) formulated sufficient internal control procedures.

However, the Board and the current management of the Company disagreed that Shanghai Yongsheng did not have formulated sufficient internal control procedures. They considered that Shanghai Yongsheng had a sound internal control system. The relevant internal policies were circulated to the management of Shanghai Yongsheng. The Company had also conducted trainings relating to approval procedures and Listing Rules requirements for the management of Shanghai Yongsheng in 2017 and 2018.

Regardless of the limited policies and procedures provided by Shanghai Yongsheng, RSM considered that the management of Shanghai Yongsheng (in particular, the SHYS Financial Controller) should be aware of the requirement to seek approval from the Company for entering into material and connected transactions.

VIEWS OF THE INVESTIGATION COMMITTEE AND THE BOARD

The Investigation Committee and the Board have reviewed the contents of the Second Stage Report. In principle, they accept the findings made by RSM and consider the Second Stage Report has adequately addressed the matters set out in Section (A) of this announcement.

The Company and the Board treat the findings of the Second Stage Investigation seriously. The Company is determined to take all necessary steps to protect the interests of the Company.

The Board has taken or will take the following actions:

- (a) In August 2021, the Company made a report to the Public Security Bureau in Mainland China.
- (b) In November 2021, the Company reported the matter to the Hong Kong Police.
- (c) In December 2021, Shanghai Yongsheng wrote to the CBIRC requesting an investigation into the issues in relation to the execution of the Pledge Contracts.
- (d) Stringent control measures have been put in place to monitor the use of the chops and seals of Shanghai Yongsheng.
- (e) The Company has been considering whether to commence civil proceedings against the staff concerned, including Mr. Chen CJ, the Controlling Shareholder and other related parties. In addition, Shanghai Yongsheng is considering commencing civil proceedings against Bank of Beijing to recover the Fixed Deposits.
- (f) An independent internal control review will be carried out.
- (g) In light of the findings in the Second Stage Investigation, the Company has been considering whether to extend its investigation and make enquiries with the relevant banks to ascertain whether Shanghai Yongsheng had pledged its fixed deposits without obtaining the Company's prior approval between 2016 and June 2018.

The Company will make announcements to update the Shareholders and potential investors on any substantial development of the above actions as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange shall remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“3 May Announcement”	the announcement of the Company dated 3 May 2021
“3 June Announcement”	the announcement of the Company dated 3 June 2021
“28 June Announcement”	the announcement of the Company dated 28 June 2021
“28 May Entry”	the entry regarding the use of the company chop and the legal representative chop of Shanghai Yongsheng dated 28 May 2019 in its register for use of chops
“12 September Entry”	the entry regarding the use of the company chop and the legal representative chop of Shanghai Yongsheng dated 12 September 2019 in its register for use of chops
“Announcements”	3 May Announcement, 3 June Announcement and 28 June Announcement
“CBIRC”	China Banking and Insurance Regulatory Commission
“Controlling Shareholder”	the controlling shareholder of the Company
“Deduction”	the deduction of the Fixed Deposits by Bank of Beijing
“Defaulted Borrowers”	Shanghai Shihao, Shanghai Qianjiang, Shanghai Mei Long, Shanghai Bao Cheng, Shanghai Fortune Tiandi Property Co., Ltd. and Shanghai Renhe
“First Stage Investigation”	the first stage of forensic investigation conducted by RSM
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mr. Chen CJ”	Mr. Chen Chuanjin
“Purported Shareholder Resolutions”	the two shareholder resolutions of Shanghai Yongsheng which were purportedly passed by Vincent International on 24 May 2019
“Second Stage Investigation”	the second stage of forensic investigation conducted by RSM

“Second Stage Report”	the report issued by RSM on 31 March 2022
“Shanghai Bao Cheng”	上海寶成房地產有限公司(Shanghai Bao Cheng Property Limited*)
“Shanghai Mei Long”	上海梅隴大廈發展有限公司(Shanghai Mei Long Building Development Limited*)
“Shanghai Renhe”	上海人和投資管理有限公司(Shanghai Renhe Investment Management Co., Ltd.*)
“SHYS Cashier”	the cashier of Shanghai Yongsheng
“SHYS Finance Controller”	the financial controller of Shanghai Yongsheng
“SHYS Finance Staff”	the finance staff of Shanghai Yongsheng (who was the applicant for using the chops of Shanghai Yongsheng on 12 September 2019) interviewed by RSM in the Second Stage Investigation
“SHYS General Manager”	the General Manager cum Director of Shanghai Yongsheng
“Vincent International”	Vincent International Holdings Limited, a wholly-owned subsidiary of the Company

By order of the Board
Good Resources Holdings Limited
Chau On Ta Yuen
Chairman and Executive Director

Hong Kong, 11 April 2022

As at the date of this announcement, (i) the executive Directors are Mr. Chau On Ta Yuen, Mr. Chen Shi and Mr. Liu Bin; and (ii) the independent non-executive Director is Mr. Wong Hok Bun, Mario.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purpose only*